

## **Doubtful debts allowance development: Stages and methods of calculation**

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### **Abstract**

© 2015, Mediterranean Center of Social and Educational Research. All rights reserved. The paper investigates the problem of doubtful debts allowance development for the purposes of receivables reflection in the accounting (financial) statements. Comparison of approaches to forming the allowance in compliance with the US, Russian and international accounting standards is fulfilled. It is proved that the allowance of doubtful debts formation should be based on the principle of accounting conservatism. In this case, it is advisable to use the method of accounts receivable aging based on the probability of payment coefficient. This coefficient represents the best assessment by the managers of the possible amount of the accounts left without repayment by the buyers judging from the past experience of relations with the debtors. The steps of forming an allowance are described in detail, basing on the certain procedures fulfillment.

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### **Keywords**

Accountancy, Allowance, Doubtful, IAS, The debt, The debtor, US GAAP